

## **STATEMENT OF CONSIDERATIONS**

**CLASS WAIVER OF THE GOVERNMENT'S U. S. AND FOREIGN PATENT RIGHTS IN CERTAIN IDENTIFIED INVENTIONS MADE IN THE COURSE OF OR UNDER MANAGEMENT AND OPERATING CONTRACT DE-AC09-89SR18035 BETWEEN THE DEPARTMENT OF ENERGY AND WESTINGHOUSE SAVANNAH RIVER COMPANY (WSRC). W(C)-93-010**

The Department of Energy (DOE), unlike most other Government agencies, employs contractors, both for-profit and non-profit organizations, to manage and operate certain of its major research, production and weapons facilities. WSRC, a for-profit corporation, under prime Contract DE-AC09-89SR18035 (18035 Contract) with DOE, manages and operates certain of the Government-owned facilities in Aiken, South Carolina.

These government-owned, Contractor-operated facilities have for some forty years benefited DOE and its predecessor agencies in carrying out agency research, development, and demonstration programs. Such facilities have, in great measure, had a remarkable record of scientific and technical success. This success is due, in part, to the unique contractual relationship that exists between DOE and its management and operation (M&O) contractors; viz., the dedication of both technical and administrative skills of a private organization, such as WSRC, to a significant Federal mission in a close, long-term, cooperative relationship.

Currently, the Department's nonprofit M&O contractors have the right to request retention of title to inventions made in the performance of their prime contract with DOE pursuant to Title 35 U.S.C. 202 (Public Law 96-517, as amended by Public Law 98-620), other than those inventions excluded by Section 202 (a) (ii-iv).

In 1983, President Reagan's Memorandum on Government Patent Policy was promulgated directing that:

to the extent permitted by law, agency policy with respect to the disposition of any invention made in the performance of a federally funded research and development contract, grant or cooperative agreement award shall be the same or substantially the same as applied to small business firms and nonprofit organizations under Chapter 18, Title 35 of the United States Code.

DOE considered the impact of the President's Memorandum on its patent policy with respect to large for-profit business contractors, including its M&O contractors, and determined that Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182), as amended, and Section 9 of the Federal Non-Nuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908), precluded DOE from automatically granting title to its large for-profit contractors pursuant to the President's Memorandum. WSRC, like other of the Department's for-profit M&O contractors, currently has the right to file identified waiver

petitions on inventions made in the performance of the 18035 Contract. This process imposes a substantial front end administrative burden—both on the Department and on WSRC—on preparing and processing such individual waiver petitions. WSRC has gone from about 10 to 12 invention disclosures a year, under the predecessor contractor, to several hundred a year under it since becoming the M&O at Savannah River in 1989. Furthermore, WSRC has identified about 12 entities which have executed licenses directly from DOE and about another 34 license applicants whose license applications are pending before DOE. This procedure has been necessitated by the absence of Technology Transfer provisions and therefore authority. Under the companion Technology Transfer clause being agreed to by WSRC, the administrative front-end burden would be detrimental to both DOE and WSRC.

With the overall goal of incorporating the research results from WSRC's 18035 Contract into the main stream of American commerce in the most expeditious manner, consistent with the President's Memorandum, as referenced in Executive Order 12591 dated April 10, 1987, and in accordance with the authority of Section 152 and Section 9, above, it is believed to be in the best interest of the United States and the general public to grant a Class Waiver to certain identified inventions made by WSRC under the 18035 Contract as set forth herein.

The scope of this Class Waiver is directed to the class of identified inventions which comprises subject inventions made by employees of WSRC in the performance of the 18035 Contract. It is thus intended to treat WSRC substantially the same as M&O contractors which are small business or nonprofit organizations. More specifically, the scope of the Class Waiver shall include U. S. and foreign patent rights to identified inventions made in the performance of the 18035 Contract for the facilities managed by WSRC in the Aiken, S.C. area. Excluded from the scope of this Class Waiver are inventions which: (1) fall within DOE's weapons programs, which inventions principally relate to weapons or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security; relate to naval nuclear propulsion; relate to uranium enrichment (including isotope separation) program; relate to storage and disposal of civilian high level nuclear waste or spent nuclear fuels; (2) relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended; (3) come within the ambit of international agreements or treaties in existence at the time of execution of the contract modification effecting this Class Waiver in the 18035 Contract; (4) are subject inventions covered by existing or future Class Waivers granted to third parties by DOE, such as "Work for Others"; or, (5) fall within any further exceptions that may, in the national interest, be designated by the Secretary and are added by unilateral amendment by DOE to the 18035 Contract. This Class Waiver does not include inventions of subcontractors under the 18035 Contract.

Most of the inventions made under the 18035 Prime Contract require additional development before they are available in the commercial marketplace. This is because many of the inventions made by WSRC are founded upon basic or advanced research.

Additionally, many of these inventions are conceptual in nature and are on a laboratory or proof-of-principle scale. Scale-up to a commercial size demonstration of the inventive concept is often a prerequisite to negotiating royalty bearing licenses. Finally, many of the inventions arising out of DOE's energy research will require substantial capital in order to translate the invention into commercial reality; such costs, for example, include further engineering, design, start-up and marketing.

A Class Waiver of the Government's rights in identified inventions as set forth herein, will create sufficient exclusive rights in these inventions to bring forth private risk capital to expeditiously promote and move the technology into the commercial marketplace, and thereby make the benefits of DOE's programs widely available to the public in the shortest practicable time.

Additionally, under the authority of the "National Competitiveness Technology Transfer Act of 1989" (P.L. 101-189) WSRC is authorized to enter into Cooperative Research and Development Agreements (CRADAs) with universities, the private sector and other Federal Laboratories for the purpose of promoting technology transfer between the Federal Laboratories and the private sector in the United States. By having a waiver of the Government's rights in subject inventions falling within the scope of this Class Waiver, WSRC will be able to combine, where appropriate, these waived inventions with those waived under the separately issued Class Waiver for CRADAs through license agreements with cost-sharing participants under the CRADAs, thereby enhancing the movement of the waived inventions to the commercial marketplace.

Furthermore, the grant of a Class Waiver of identified inventions as set forth herein will enable DOE to take advantage of the technology transfer capabilities of WSRC, which has over the last 3 years, approximately, established and operated a very successful limited or restricted technology transfer program including the location or identification of license applicants and coordinated their license applications with DOE-HQ. About 12 licensees have been so secured and about 34 additional license applications have been obtained through their efforts (through March 1993) as pointed out hereinabove. Permitting WSRC to retain title to a broad range of important energy-related inventions, except those imbued with the national interest, should further enhance the technology transfer initiatives of the Department through WSRC's 18035 Contract.

Under Modification M075 which established technology transfer as a mission of the Laboratory under the authority of P. L. 101-189, technology transfer is currently an element in the award fee determination. This evaluation of WSRC's performance serves as an additional justification for the grant of this Class Waiver as set forth herein.

Lastly, WSRC has agreed to attempt to commercialize the waived inventions within five years from the time the waiver is effective as set forth in subparagraph (c) (3) (i) of Article I.94 DOE PR 9-9.107-5 (a) Patent Rights (long form) (Dec. 1981) (Deviation) of the extension of the 18035 Contract. This commitment to early commercialization by WSRC

will best promote the commercial utilization of such inventions and make the benefits of the research effort conducted under the 18035 Contract widely available to the public in the shortest practicable time, consistent with the objectives and considerations of DOE's waiver regulations.

Implementation of this Class Waiver is to be by a simple procedure which requires:

- (1) WSRC reporting of the invention within the times specified in the 18035 Contract and identifying by DOE B&R code the funding sponsor in the invention disclosure;
- (2) WSRC electing in writing whether or not to retain title to the invention at the time of disclosure or within one year of disclosure;
- (3) Representation after reasonable internal inquiry that the invention falls within the Class Waiver; and
- (4) Representation, to its best knowledge and belief, that the invention does not fall within international agreements or treaties of the Government which are provided to Contractor by the Contracting Officer.
- (5) Representation that it will attempt to commercialize the invention through its licensees within five years from the time the waiver is effective, as set forth in subparagraph (c) (3) (i) of Article I.94.

After review of the invention disclosure and relevant facts, Patent Counsel, Savannah River Operations Office (herein Patent Counsel) will certify whether the waiver is applicable to the invention.

Except as hereinafter provided with respect to DOE's Defense Programs funded inventions, the election of inventions shall become effective sixty days after receipt by Patent Counsel, unless the Patent Counsel shall return the election with reasons for failure to accept the election, as set forth in this Class Waiver, or Patent Counsel gives written notice of the need for a one-time extension of thirty days.

As noted above, the scope of this Class Waiver does not include two types of DOE Defense Programs funded inventions: (1) inventions which fall within DOE's Weapons Programs, which inventions principally relate to weapons, or inherently disclose or suggest a weapons application where such disclosure or suggestion would be detrimental to national security; or (2) inventions which relate to subject matter that is classified or sensitive under Section 148 of the Atomic Energy Act of 1954, as amended. These inventions are, accordingly, not available for election under this Class Waiver and if WSRC desires greater rights in these inventions than that accorded in paragraph (e) of Article I.94 then identified waiver petitions must be pursued.

It is recognized that significant research under the 18035 Contract is funded by DOE's Weapons Programs which results in valuable patentable technology. It is further noted that the ownership of such patentable technology by WSRC, in all instances, would not compromise national security or DOE's program or patent position by application of appropriate safeguards.

The fact that certain inventions arising under DOE's Weapons Programs may fall within the scope of this Class Waiver requires that particular attention be given to each invention to ensure that the transfer of technology would not directly or indirectly compromise national security or other aspects of this sensitive program, as specifically prescribed in 48 C. F. R. 927.370.

With regard to any invention which WSRC reports with an election to retain title, WSRC shall, to its best knowledge or belief, provide to Patent Counsel a supporting statement with reasons, addressing:

- (i) Whether National Security will be compromised by development, commercialization or licensing activities involving the invention;
- (ii) Whether sensitive technical information (classified or unclassified) under the Naval Nuclear Propulsion Program, the Nuclear Weapons Program, or other defense activities of the DOE, for which dissemination is controlled under Federal Statutes and regulations, will be released to unauthorized persons;
- (iii) Whether failure to assert such a claim (i. e., failure by DOE to retain title to a subject invention) will adversely affect the operation of the Naval Nuclear Propulsion Program, the Nuclear Weapons Program, or other defense activities of the DOE; and
- (iv) Whether there is any Export Controlled material present and, if so, how such material will be protected.

The election for Defense Programs' inventions falling outside the Weapons exception of (b) (1) (C) of Article I.94 shall not be effective until approved by the Patent Counsel, who shall use his best efforts to reach a determination within 90 days. The Patent Counsel shall base the determination on the review of the written election containing the items set forth above and paragraph J of Article H.30 Technology Transfer (August 1990) and WSRC representation whether there is any Export Controlled material present, and if so, how such materials will be protected.

Additionally, WSRC shall provide a statement of any safeguards it proposes to use to protect national security in commercializing the subject matter of the invention.

The grant of this Class Waiver shall include inventions made by WSRC employees on which a timely filed waiver request is pending as of the effective date of this Class Waiver. Further, this Class Waiver shall not apply to any invention which DOE has advertised as being available for licensing.

This waiver of the Government's rights in inventions as set forth herein, is subject to the Government's retention of: (1) a non-exclusive, non-transferable, irrevocable, paid-up license to practice, or to have practiced for or on behalf of the United States the Waived invention, and (2) march-in rights in accordance with paragraph (J) (I) of Article I.94.

In as much as WSRC has the right to elect to retain title under the Class Waiver to all inventions made under the 18035 Contract falling outside the exceptional circumstance technologies, and other Class Waivers, without a showing of adequate plans and intentions for commercializing each invention as previously required in processing identified waiver petitions; DOE has, in addition to the standard Government march-in rights set forth in subparagraph (j) (I) of Article I.94, the right to require WSRC to grant to responsible applicant(s) a license(s) as specified in subparagraph (j) (2) of Article I.94.

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. Waived inventions will be subject to a royalty-free license to the Government and DOE has the right to require periodic reports on the utilization or the efforts at obtaining utilization that are being made for the waived inventions. If WSRC is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in right and require licensing of the invention.

Accordingly, in view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, the objectives of Public Law 101-189, and Executive Order 12591, all of which have been considered, it is recommended that this Class Waiver set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

This waiver shall not become effective until the full execution of the Modification of 18035 to include the Technology Transfer/CRADA clause package.

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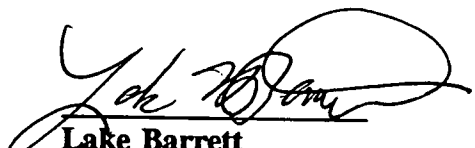
Harold M. Dixon  
Chief Patent Counsel  
Savannah River Operations Office

Based on the foregoing Statement of Considerations, it is determined that the interest of the United States and the general public will best be served by waiver of the United States and foreign patent rights as set forth herein and, therefore, the waiver is granted subject to the terms of the 18035 Contract as amended in Modification M075 to implement this Class waiver. This waiver shall not effect any waiver previously granted.

**CONCURRENCE:**

\_\_\_\_\_  
**Dr. Everet Beckner**  
 Acting Assistant Secretary for  
 Defense Programs

Date: \_\_\_\_\_

  
 \_\_\_\_\_  
**Lake Barrett**  
 Acting Director, Civilian  
 Radioactive Waste Management

Date: JUL 6 1993

**APPROVAL:**

\_\_\_\_\_  
**Richard E. Constant**  
 Assistant General Counsel for  
 Intellectual Property

Date: \_\_\_\_\_

**CONCURRENCE:**

\_\_\_\_\_  
**Thomas P. Grumbly**  
 Assistant Secretary for  
 Environmental Restoration and  
 Waste Management

Date: \_\_\_\_\_

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**Roger Lewis**  
 Director, Office of Technology  
 Utilization

Date: \_\_\_\_\_

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**CONCURRENCE:**

\_\_\_\_\_  
**Dr. Everet Beckner**  
Acting Assistant Secretary for  
Defense Programs

Date: \_\_\_\_\_

\_\_\_\_\_  
**Lake Barrett**  
Acting Director, Civilian  
Radioactive Waste Management

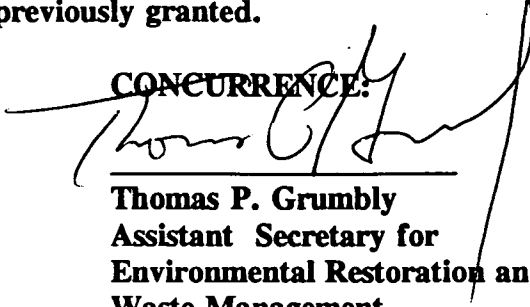
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**APPROVAL:**

\_\_\_\_\_  
**Richard E. Constant**  
Assistant General Counsel for  
Intellectual Property

Date: \_\_\_\_\_

**CONCURRENCE:**

  
\_\_\_\_\_  
**Thomas P. Grumbly**  
Assistant Secretary for  
Environmental Restoration and  
Waste Management

Date: \_\_\_\_\_

\_\_\_\_\_  
**Roger Lewis**  
Director, Office of Technology  
Utilization

Date: \_\_\_\_\_



**CONCURRENCE:**

**Thomas P. Grumbly**  
**Assistant Secretary for**  
**Environmental Restoration and**  
**Waste Management**

Date: \_\_\_\_\_

**Roger Lewis**  
**Director, Office of Technology**  
**Utilization**

**Date:** 11/7/20

**Richard E. Constant**  
**Assistant General Counsel for**  
**Intellectual Property**

Date: \_\_\_\_\_

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**CONCURRENCE:**

\_\_\_\_\_  
**Dr. Everet Beckner**  
Acting Assistant Secretary for  
Defense Programs

Date: \_\_\_\_\_

\_\_\_\_\_  
**Lake Barrett**  
Acting Director, Civilian  
Radioactive Waste Management

Date: \_\_\_\_\_

**APPROVAL:**


\_\_\_\_\_  
**Richard E. Constant**  
Assistant General Counsel for  
Intellectual Property

Date: \_\_\_\_\_

**CONCURRENCE:**

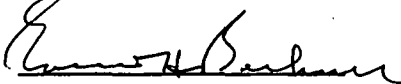
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**Thomas P. Grumbly**  
Assistant Secretary for  
Environmental Restoration and  
Waste Management

Date: \_\_\_\_\_

  
\_\_\_\_\_  
**Roger Lewis**  
Director, Office of Technology  
Utilization

Date: 6/30/93

Based on the foregoing Statement of Considerations, it is determined that the interest of the United States and the general public will best be served by waiver of the United States and foreign patent rights as set forth herein and, therefore, the waiver is granted subject to the terms of the 18035 Contract as amended in Modification M075 to implement this Class waiver. This waiver shall not effect any waiver previously granted.

**CONCURRENCE:**


**Dr. Everet Beckner**  
Acting Assistant Secretary for  
Defense Programs

Date: 7/20/93

**CONCURRENCE:**

**Thomas P. Grumbly**  
Assistant Secretary for  
Environmental Restoration and  
Waste Management

Date: \_\_\_\_\_

**Lake Barrett**  
Acting Director, Civilian  
Radioactive Waste Management

Date: \_\_\_\_\_

**Roger Lewis**  
Director, Office of Technology  
Utilization

Date: \_\_\_\_\_

**APPROVAL:**


**Richard E. Constant**  
Assistant General Counsel for  
Intellectual Property

Date: 10/22/93

Mr. Paul A. Gottlieb  
Assistant General Counsel  
for Technology Transfer  
and Intellectual Property  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

Subject: Applicability of Class Patent Waivers W(C)-93-009 and W(C)-93-010 to Management and Operations Contract No. DE-AC09-96SR18500 between the DOE Savannah River Operations Office and Westinghouse Savannah River Company

Dear Mr. Gottlieb:

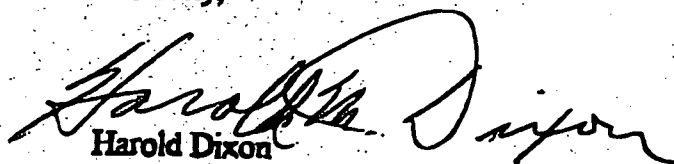
At the direction of DOE Headquarters, the DOE Savannah River Operations Office competed the Management and Operating ("M&O") Contract for the DOE Savannah River Site to be effective on the expiration of the then applicable M&O Contract No. DE-AC09-89SR18035 between DOE and Westinghouse Savannah River Company (WSRC). As a result, a new M&O Contract was negotiated with the Westinghouse Savannah River Company. The new DOE-WSRC M&O Contract is Contract No. DE-AC09-96SR18500. The intellectual property clauses of the new contract essentially duplicate the corresponding provisions in the old Contract No. DE-AC09-89SR18035; and, particularly, the new DOE-WSRC M&O Contract has essentially the same technology transfer, patent, and data clauses. The same considerations which were deemed to provide a sound basis for granting the waivers under the earlier contract are fully applicable to the new contract.

However, for record purposes, it is necessary to verify that class patent waivers W(C)-93-009 and W(C)-93-010, granted to WSRC under Contract No. DE-AC09-89SR18035, are applicable to the new contract. The carry-over of substantially identical technology transfer, patent, and data provisions in the new contract provide a sound basis for determining that the class waivers apply to the new contract.

In view of the above, we believe that there is sufficient justification for keeping class waivers W(C)-93-009 and W(C)-93-010 in effect, and that no new class waivers are necessary.

If you agree, please advise this office of your approval in this matter by signing below and returning a signed copy of this letter.

Sincerely,



Harold Dixon

Savannah River Operations Office

Approval:

*P. A. Gottlieb*

Paul A. Gottlieb  
Assistant General Counsel  
for Technology Transfer  
and Intellectual Property

Date:

*10-16-98*